



17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

MORGAN HILL
FINANCE AND AUDIT COMMITTEE

Morgan Hill Civic Center
West Conference Room
17555 Peak Avenue
Morgan Hill, California

Chair
Committee Member
Committee Member
Staff: City Manager
Finance Director
Asst. to the City Manager

Mike Roorda
Steve Tate
Larry Carr
Ed Tewes
Jack Dilles
Melissa Stevenson Dile

SPECIAL MEETING

Tuesday, January 5, 2005

MINUTES

6:00 P.M.

CALL TO ORDER by Chair Roorda

Chair Roorda, Committee Member Carr and Committee Member Tate
Staff: Tewes, Dilles, & Dile

DECLARATION OF POSTING OF AGENDA

In compliance with Government Code 54954.2

PUBLIC COMMENTS

The Morgan Hill Finance and Audit Committee welcomes comments from all individuals on any agenda item being considered by the Committee. In the interest of brevity and timeliness and to ensure the participation of all those desiring an opportunity to speak, comments presented to the Committee are limited to Three Minutes.

BUSINESS:

1. Approval of Minutes for December 15, 2004

The minutes for December 15, 2004, were unanimously approved.

2. Revenue Enhancements

Staff distributed a new set of General Fund financial projections, based upon updated sales tax receipts. Staff explained that, based upon new information, the City is projected to receive an additional \$400,000 in sales taxes this fiscal year and in future fiscal years. Committee Member Tate indicated that we need to be cautious, but this is good news.

Chair Roorda stated that he would like to reduce the number of revenue options and apply criteria to those options, consistent with his understanding of the Committee's wishes. Do the options meet revenue requirements and are they simple, understandable, affordable, passable, and fair? He asked if the Committee wanted to spend time on the prior information. Committee Member Tate responded that he would like to simplify the discussion. Committee Member Carr added that the past information had not generated the discussion he had hoped for, so it would be best not to bring the same information back to the City Council at the upcoming retreat.

Committee Member Carr stated that the City should exhaust ways to address the financial imbalance between revenues and expenses before going to the voters. Customers should pay more for services themselves and the City should exhaust all efficiencies that are available, so that the City may be as efficient as possible. He went on to say that the City must answer those types of questions if the City is to get anywhere with the voters. Chair Roorda added that the City has reduced costs and built in efficiencies (such as the new financial system). City Manager Tewes asked if the Finance Committee wants to send a report to the City Council regarding revenue sources, efficiencies, etc. Committee Member Tate responded that he would like to reduce the revenue options to 3 options rather than 6. Chair Roorda indicated that the dilemma the City is facing relates to the fact that the City does not have the lack of reserves evident in other cities.

Chair Roorda and Committee Member Tate asked if the Committee focuses on the amount of dollars needed, what should come off the revenue list? Committee Member Carr asked how about fees first? The City made expenditure cuts, considered investing in efficiencies, and establish fees where the users pay for their use. It is appropriate to invest money to save money. Staff should look at recreation activities and fire fees through the budget process.

The Committee reviewed the various revenue options. Committee Members indicated they are not interested in sales taxes because of the competitive disadvantage compared to surrounding communities. Chair Roorda added that the only way he would be interested in a sales tax increase would be if it were part of a County-wide effort.

City Manager Tewes indicated there are ways to have new growth pay for added services. Every new subdivision could annex to a Mello Roos district or a development excise tax could be levied on new development. City Manager Tewes asked why wouldn't the Committee propose three different types of revenues in order to foster a City Council discussion. Chair Roorda indicated he likes a mix of parcel taxes and Mello Roos.

Committee Member Carr asked if the City should focus on revenues that support both current and future services. Committee Member Tate said that, while future services are important, shouldn't the City make itself whole first? Committee Member Carr responded "yes" but wouldn't the community like to actually see something for their money?

Committee Member Carr indicated that there are very few options that will provide the \$1.2 million the City needs. Committee Member Tate stated he would like to ask the public something like "would you support a \$10 increase in taxes to maintain services" and "would you support a \$10 increase in taxes to expand services" The Committee asked staff to work with Chair Roorda to update the charts showing the full dollar amounts that could be raised through revenue options, for presentation to the City Council at the retreat.

The Committee agreed that it would be appropriate to implement a policy shift in which users should pay a greater share of costs.

3. Future Agenda Items (Discussion)

None.

ADJOURNMENT: 7:40 P.M.

NOTICE **AMERICANS WITH DISABILITY ACT (ADA)**

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